



Department of Local Government Finance

Local Option Income Taxes

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Commissioner

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Grant County

■ COIT County Rate 1.00%

- COIT Certified Distribution for 2009 is \$9,466,679
- Distribution to County \$4,326,173
- Distribution to Townships \$ 224,405
- Distribution to Cities and Towns \$4,320,301
- Distribution to Other Units* \$ 595,800

■ CEDIT County Rate 0.25%

- CEDIT used entirely for Homestead Credits
- Amount for 2009 Homestead Credits \$2,642,997

* Libraries



Income Taxes: Basics

Indiana allows local governments to adopt three types of Income Taxes:

1. County Adjusted Gross Income Tax

- *CAGIT – Max Rate 1.0%*

2. County Option Income Tax

- *COIT – Max Rate 1.0%*

3. County Economic Development Income Tax – *CEDIT – Max Rate 0.25%*

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What must Grant County do to offset the impact of the Circuit Breaker?

Budget/services management should be part of this answer.



Income Taxes - Continued

- Each type of Income Tax has a different purpose:
 - CAGIT dedicates 25% of total revenue toward property tax replacement credits, including taxes levied by schools. Remaining 75% is distributed to local governments excluding schools
 - COIT is used for local governments and not shared with schools
 - CEDIT is primarily used for economic development, debt service, capital projects and homestead credit.



Income Taxes - Continued

- Characteristics of Traditional Income Taxes
 - Local Governments can diversify their revenue sources
 - Reduce property tax burden
 - Larger tax “base”
 - Not hampered by property tax collection delays
 - Not subject to circuit breaker credit
 - Uses are more flexible than other sources of revenues



Income Taxes - Continued

- Characteristics of New LOITs
 - Revenue is in addition to existing income taxes
 - Outside of levy controls
 - Included for calculation of other revenues distributed with property taxes
 - Three choices how revenue will be used
 - Either choice reduces the property tax burden throughout the county and reduces lost revenue due to circuit breakers



Income Taxes - Continued

- Each tax is distributed differently
 - CAGIT is distributed semi-annually on May 1 and November 1
 - Quarterly distributions are available for counties with populations between 145K and 148K
 - COIT is distributed monthly
 - CEDIT is distributed semi-annually on May 1 and November 1
 - Quarterly distributions are available for counties with populations between 145K and 148K
 - Grant County distribution based on levies

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Property tax is normally distributed twice annually 51 days after the due date.



Local Option Income Taxes – *LOIT's*

- Several LOIT types may be adopted in addition to CAGIT, COIT or CEDIT
- Three major types of LOITs:
 - A. Levy Growth Replacement
 - B. Property Tax Relief
 - C. Public Safety



Local Option Income Taxes – *LOIT's*

- Levy Growth Replacement (Option A)
 - Funds growth in maximum levies for all levy controlled funds
- LOIT Property tax relief (Option B)
 - May provide additional homestead credits or PTRC
 - Counties may adopt without another LOIT
- Public Safety (Option C)
 - May be used for any public safety costs as defined in I.C. 6-3.5-1.1-25
 - Allocated to "municipalities" (Not townships, schools, or other municipalities)
 - Must be in addition to tax relief or operating rate



LOIT's – Levy Growth Replacement (Option A)

- Substitutes for growth in maximum levy
- Rate is 0.05% to 1.0%
 - Actual rate is calculated by the DLGF
- Rate is imposed for 2 years
 - First year collects twice the needed amounts to fund a County Stabilization Fund maintained by County Auditor
- Cannot be used to pay debt service or lease payments



LOIT's – Property Tax Relief (Option B)

- Rate adopted by council in increments of 0.05% to 1.0%
- May be used three ways:
 - PTRC at uniform rate through county
 - PTRC at uniform rate on only qualified residential property in the county
 - Increase homestead credit %



LOIT's – Property Tax Relief (Option B)

- In addition to other homestead credits and deductions
- LOIT revenue is considered as property tax revenue for calculating other revenues distributed using property tax levies
- Rate can be imposed, increased, decreased, or rescinded by county council (CAGIT counties) or income tax council (COIT counties)



LOIT's – Public Safety (Option C)

- Rate is 0.05% to 0.25% for a county or municipality
- Revenue distributed only to cities, towns, and counties
- May be used according to I.C. 6-3.5-1.1-25 – any public safety purpose
- Rate may be imposed or rescinded at the same time and manner as imposing or increasing the rate
- Must be combined with either levy growth LOIT or property tax relief LOIT or both



How to Adopt a LOIT

- Requires the adoption of an ordinance
- Simple majority
- Must indicate the type of LOIT, rate, and effective date
- COIT counties - local income tax council (# of votes based on % of units population in county)
- CAGIT counties – County Council



Adoption Timeline

| <u>Adoption Date</u> | <u>Effective Date</u> | <u>Tax Distribution Date</u> |
|---|-----------------------|------------------------------|
| After Oct. 15 & Before Nov. 16, 2008 | Dec. 1, 2008 | Jan. 2009 |
| After Nov. 15, 2008 & Before Jan. 1, 2009 | Jan. 1, 2009 | Jan. 2009 |
| After Jan. 1, 2009* | Oct. 1, 2009 | Jan. 2010 |

* 2009 and thereafter, LOIT adoptions or rate changes must be done between March 31 and July 31 of each year. The effective date is Oct. 1 of the year in which the adoption is made.



Impact for Grant County

Estimates are based on the 2009 certified distribution.

| Type | Minimum | Maximum |
|------------------------------------|-------------------|---------------------|
| Levy Growth Replacement (Option A) | \$473,334 (0.05%) | \$9,466,679 (1.0%) |
| Property Tax Relief (Option B) | \$473,334 (0.05%) | \$9,466,679 (1.0%) |
| Public Safety (Option C) | \$473,334 (0.05%) | \$2,366,662 (0.25%) |



For More Information

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